

Memo

To: OPA
From: Emily Hoffnar, CCB, IAD
CC:
Date: 08/01/00
Re: Incorporation of data into Docket #98-146

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The attached transcript of field hearings needs to be incorporated into Docket #98-146. If you have any questions, please feel free to contact me at (202) 418-7396. Thank you.

FEDERAL COMMUNICATIONS COMMISSION

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AUG - 1 2000

Bringing High-Speed Internet :
to Rural America :

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

TRANSCRIPT OF

FIELD HEARING

Taken At
Bismarck State College Student Union
1500 Edwards Avenue
Bismarck, North Dakota
November 22, 1999

EMINETH & ASSOCIATES
Court Reporters
BISMARCK, NORTH DAKOTA
(701) 255-3513

1 (The following proceedings were had and
2 made of record herein, commencing at 12:40 p.m.,
3 Monday, the 22nd day of November, 1999:)

4 CHAIRMAN KENNARD: Good afternoon, and
5 welcome to the first but what I'm sure will not be
6 the last FCC field hearing in North Dakota. We are
7 very, very pleased to be here. We have three of
8 the five FCC commissioners with you here today.
9 That constitutes a quorum under our FCC law. So if
10 things get really interesting today, we might just
11 adopt some rules and solve some problems today.

12 My name is Bill Kennard. I'm the chairman
13 of the FCC. This is my second visit to North
14 Dakota. I was here in January of 1998 at the
15 invitation of Senator Dorgan and learned a lot
16 about what's happening here in North Dakota, and
17 we're back here again to gather a lot more
18 information and hopefully hear from a lot of people
19 today about how we in Washington can be of better
20 service to you here.

21 Here's the game plan for today. We have a
22 lot of material to cover, and we want to hear from
23 a lot of people. We have a limited period of
24 time. Unfortunately, Northwest Airlines is going
25 to leave at three o'clock today on the flight back

1 to Washington, and we need to be on it.

2 So we're going to ask everyone to keep
3 their remarks brief. All the panelists will have
4 opening remarks, three to five minutes, and then
5 what I hope to do, since we have a great diversity
6 of people here today, what I'd like to do is maybe
7 get a little bit of crosscurrent of debate going
8 and liven up the discussion a little bit. We have
9 some people who compete against one another in the
10 marketplace who have very, very different views of
11 what the FCC should or shouldn't be doing.

12 I'm going to have some opening remarks,
13 but before that I would like to introduce my two
14 colleagues for their opening remarks, and then
15 Senator Dorgan will have an opening statement, as
16 well, and we're also joined by two of our
17 colleagues from the state level, Susan Wefald and
18 Bruce Hagen from the North Dakota Public Service
19 Commission.

20 To my left is Susan Ness, my colleague on
21 the FCC. Commissioner Ness is one of the FCC
22 commissioners who participated, with my other
23 colleague here today, Harold Furchtgott-Roth, on
24 the Federal/State Joint Board on universal
25 service. So they were the people who pooled

1 together some very, very important recommendations
2 dealing with universal service funding for rural
3 America. Susan, would you like to begin?

4 FCC COMMISSIONER NESS: I just want to,
5 first of all, thank Senator Dorgan for his gracious
6 invitation to come out to North Dakota, and I'm
7 looking forward to hearing the testimony from the
8 panelists on how we can best ensure that North
9 Dakotans receive the best possible
10 telecommunications services available, and that is
11 the goal and the mission of the Commission, to
12 ensure that the American people are well served by
13 their telecommunications companies, and that's
14 about all I have to say, other than I'm delighted
15 to be out here.

16 I recognize and have worked very hard on
17 rural issues. Why? Because I see the opportunity
18 for broadband to provide a rejuvenation of
19 communities, of rural communities, because you can
20 have new businesses crop up with the ability to
21 serve all of the world from rural locations, but in
22 order to be able to do that, you have to have
23 conductivity and you've got to have the reliability
24 of service and you've got to have sufficient band
25 width in order to be able to do that.

1 That's our mission, that's our goal,
2 that's our desire, and we look forward to working
3 with you, the people of North Dakota, to make that
4 happen. Thank you all very much.

5 FCC CHAIRMAN KENNARD: Thank you,
6 Commissioner Ness. Commissioner Furchtgott-Roth.

7 FCC COMMISSIONER FURCHTGOTT-ROTH: Thank
8 you, Mr. Chairman. I, too, would like to thank
9 Senator Dorgan for inspiring this Commission to
10 hold this field hearing today and to you, Chairman
11 Kennard, for the fact of seeing to it that we meet
12 here in Bismarck.

13 Approximately two years ago there was an
14 article in the New York Times magazine, Sunday
15 magazine section. I don't recall the exact date, I
16 don't recall the exact title, but it kind of stuck
17 in my craw. The article was "Do We Need North
18 Dakota?" It's a sort of article you'll find in an
19 East Coast newspaper. I suspect you won't find it
20 here in a newspaper in Bismarck or really anywhere
21 in North Dakota. You probably don't ask questions
22 like "Do we need New York State?"

23 It was a not entirely tongue-in-cheek
24 article. It described a lot of the problems of the
25 state, a lot of the problems that we've come today

1 to learn about, but it was still what I would call
2 an instrumental view of North Dakota; that is to
3 say North Dakota exists only if it has some purpose
4 that can be recognized by the people of New York.

5 That's not why North Dakota exists. It
6 exists because their people live here. This is
7 your home, this is your state, and we're going to
8 do everything we can to be sure that things work
9 out well here.

10 And the topic today is on broadband
11 access. It's a great challenge, both here in North
12 Dakota and all across America. It's something that
13 we hear more and more about at the FCC.

14 We face a lot of challenges. We don't
15 always do well with them, I must say. Senator
16 Dorgan led the fight to get universal service put
17 into the '96 Act, and it's a very important part of
18 that Act, and we'll do everything we can to be sure
19 that it's implemented correctly. It's run a lot in
20 the last couple years, but not a lot of the money
21 has come to North Dakota.

22 We look forward to hearing more about the
23 problems in North Dakota today, and I'm sure we're
24 all going to learn a lot. Thank you.

25 CHAIRMAN KENNARD: Thank you, Commissioner

1 Furchtgott-Roth. Commissioner Hagen, would you
2 like to --

3 PSC COMMISSIONER HAGEN: Thank you very
4 much, Mr. Chairman. Let me say, first, our
5 Commission is very, very pleased to have the
6 Federal Communications Commission here in North
7 Dakota today. We want to thank them and Senator
8 Dorgan for setting up this hearing.

9 We have a terrific telephone industry in
10 North Dakota. Just a little while ago Susan Ness
11 and I were over at the hospital, and she was
12 viewing what they're doing with rural health. Very
13 impressive, and on the way over she said to me, How
14 come North Dakota has such a high penetration for
15 telephone, and here we are, a rural state, we're
16 right up on top of the United States, and the real
17 answer to that is that it's a tribute to the people
18 of the state who have wanted to have telephone
19 service; it's a tribute to the telephone companies
20 that have worked awfully hard, their staff, their
21 managers, their presidents. All of the companies,
22 investor-owned and cooperative, have worked long
23 and hard in North Dakota, and we're pretty proud of
24 our record.

25 We know that there's a lot left to do, but

1 in the new age that we're getting into time and
2 distance don't mean so much. So that means our
3 people here have a chance, and along with the
4 changing times we'd like a shot at getting at the
5 table and doing what we can, and I'm sure you're
6 going to hear some very good testimony today from
7 the North Dakota people.

8 So once again, thank you very much for
9 coming. We're looking forward to hearing what the
10 people have to say.

11 FCC CHAIRMAN KENNARD: Thank you, Bruce.
12 Commissioner Wefald.

13 PSC COMMISSIONER WEFALD: Yes. We're so
14 honored to join this field hearing today to examine
15 issues related to the deployment of broadband
16 services to rural America. This is a very
17 important topic for North Dakotans and for the
18 people throughout rural America.

19 Our Commission, the North Dakota PSC, has
20 had several initiatives which have promoted
21 advanced telecommunications in rural areas.

22 First, in 1997 we were very interested in
23 providing information to our schools, libraries and
24 rural healthcare providers about moneys that were
25 available to advanced learning through use of

1 telecommunications services.

2 Our Commission conducted workshops at
3 school technology conferences, state school board
4 conferences, and other meetings across the state
5 and also held two statewide interactive video
6 information meetings so that people all over the
7 state could learn about the new funding
8 opportunities. We made a real effort to work
9 together with our Department of Public Instruction
10 and other community groups on these matters.

11 I am happy to report that due to all of
12 these efforts in year one North Dakota schools and
13 libraries received a total of \$2,400,000. This
14 money went to 148 public and private school
15 districts, 11 libraries and 7 consortiums -- 7
16 groups which represent interactive TV networks or
17 school consortiums.

18 So far -- we're in year two now. North
19 Dakota schools and libraries in year two have
20 received \$1,961,000. This money went to 134 public
21 and private school districts, 7 libraries and 4
22 groups which represent interactive TV networks
23 and/or school consortiums.

24 For example, to bring this to a more
25 personal level, Regent, population 264, Senator

1 Dorgan's hometown, has applied for and received
2 over \$16,000 for internal connections and
3 telecommunications services for its schools during
4 the two-year grant period.

5 Another small town in our region,
6 Strasburg, population 553, known as the hometown of
7 Lawrence Welk, has received over \$35,000 for
8 internal connections and Internet access for its
9 schools during the two-year grant period.

10 Rural healthcare providers in North Dakota
11 received \$126,000 in year one. I am happy that the
12 FCC has made some changes to this plan recently
13 which may result in more money for healthcare --
14 rural healthcare providers in our state.

15 Our Commission has also been keeping a
16 close watch on Lifeline and Link-up funding. We
17 held a special statewide interactive video meeting
18 to alert rural people that they would be eligible
19 for assistance. This year we met with members of
20 the Devils Lake Sioux Tribe to ensure the tribal
21 members were able to receive Lifeline and Link-up
22 and work with that tribe on adjustments to
23 eligibility procedures. We shared what we learned
24 on this matter with other tribes in North Dakota.

25 And this fall our Commission met with the

1 director and staff from the North Dakota Department
2 of Economic Development to share ideas about
3 promoting advanced technology in our state.

4 Our Commission realizes that it's
5 necessary to work with many others in order to
6 bring needed advanced telecommunications to all
7 North Dakotans.

8 One person who has been tireless in her
9 work on this issue is Lieutenant Governor Rosemary
10 Myrdahl. She is not a person who seeks the
11 spotlight, and yet she has been a real worker on
12 the center for excellence in rural America project,
13 which is called CERA. I think we may hear more
14 about that this afternoon. And she has also worked
15 on other advanced telecommunications initiatives in
16 Governor Schafer's office.

17 Thank you so much for letting us be a part
18 of this today.

19 CHAIRMAN KENNARD: Thank you,
20 Commissioner. Senator Dorgan.

21 SENATOR DORGAN: Mr. Chairman and members
22 of the Commission, thank you very much for coming
23 to North Dakota today.

24 I was sitting here thinking about
25 telecommunications and information technology, and

1 I was wondering how many in the room have the
2 experience of growing up on a farm with a telephone
3 on a party line with eight other farmsteads, and
4 the phone rings and it rings at every farm, but
5 there's a different ring for each farm. So when
6 the phone rings, one answers it and the other eight
7 pick up to listen. How many of you have had that
8 experience, not to listen but just -- well, you
9 were the primary receiver. I understand that, of
10 course.

11 The reason I was thinking about that is I
12 recall that vividly, and it is not too long ago,
13 obviously, that we had that exist on our farmsteads
14 across North Dakota, and now, of course, the entire
15 system has changed dramatically and information is
16 at our fingertips. We can access the biggest
17 library in the world, go to a museum in Italy on
18 the Internet. Things have changed dramatically.

19 And the issue today is as we proceed down
20 this road with breathtaking changes in information
21 technology, what part of this country sees the
22 buildout of advanced telecommunications services or
23 broadband capacity in a manner that gives them the
24 opportunity to progress?

25 Now, if we don't decide in this country to

1 do this like we did with electricity, to electrify
2 all the farmsteads in America, even though it might
3 not have been cost-effective to do it at the moment
4 it was done, if we don't make this universal in
5 nature, we will have what is called a digital
6 divide, and rural areas will be on the wrong side
7 of the digital divide and they will forever be
8 consigned to less opportunity, less development and
9 fewer jobs, and we cannot let that happen.

10 There are things that we all deal with
11 that are irrelevant, there are things that we deal
12 with that are important, and then there are things
13 that are urgent. In public policy this one is
14 urgent. The development of the capacity for
15 broadband opportunities all across this country is
16 urgent.

17 Now six months ago, on May 20th, Tom
18 Daschle, myself and others wrote a letter to the
19 Commission, and that letter then began a dialogue,
20 and that dialogue was about broadband development
21 for rural areas. From that came two forums. The
22 first forum was the CEO summit on the digital
23 divide in Washington, D.C., which I participated in
24 and the Commission did; and the second forum was
25 just about a month ago going the extra mile closing

1 the digital divide in rural America, and I attended
2 that as well. Very interesting.

3 And then from that now comes a series of
4 hearings across the country, and this is the first
5 hearing outside of Washington on this issue, and
6 I'm just very pleased that you held that hearing in
7 North Dakota, and you have an excellent series of
8 panels.

9 I want to tell you that the plane doesn't
10 leave at 3:00. The plane leaves at, I think, 3:45,
11 and it is always on time, but I think -- therefore,
12 I think this hearing is probably going to have to
13 be completed at three o'clock. So there will be a
14 couple of additional hours for this hearing, but
15 again let me say thank you for coming.

16 I'm going to be here most of the hearing.
17 I have to leave for about 30 minutes to do
18 something else with a group, but then I'll be right
19 back, and I just think this is very important and
20 your presence here, all three of you from the
21 Commission, describes the importance the Commission
22 pays to this issue, as well.

23 So you're going to hear from a lot of
24 wonderful North Dakotans. We care deeply about
25 this issue, we care deeply about our state, and,

1 you know, we threw away that New York Times,
2 Harold. If they just bothered to come out here,
3 they'd understand why there is a North Dakota. It
4 has quality and characteristics and a culture that
5 many in the big cities aspire to achieve at some
6 point in their lives.

7 Anyway, thank you very much, Mr. Chairman.

8 FCC CHAIRMAN KENNARD: Thank you,
9 Senator. Let me talk a little bit about what we
10 hope to accomplish today. The FCC is governed by
11 the Communications Act passed by Congress, and in
12 1996 Congress passed the most revolutionary rewrite
13 of that law in the law's history, the
14 Telecommunications Act of 1996, and many of us were
15 at the signing of that legislation.

16 It took place in the Library of Congress,
17 and President Clinton and Vice President Gore were
18 there and all the leaders of Congress who helped
19 make that Act happen, and a lot of speeches and
20 testimonials were given on that day, and everyone
21 heralded a new age in telecommunications, an age in
22 competition and deregulation, and looking back on
23 that day, almost four years ago now, it occurs to
24 me that we might have done the public somewhat of a
25 disservice when we touted that statute as heralding

1 competition and deregulation as sort of its major
2 cornerstone because we also know that there's
3 another important pillar that that Act rests on,
4 and that is the concept of universal service.

5 For the first time in our nation's history
6 universal service is a part of federal statutory
7 law, thanks to Senator Dorgan and other members of
8 the Congress that insisted that it be so.

9 When I got this job in 1997 and started
10 traveling around the country and talking to a lot
11 of people in rural America and started touting the
12 law as heralding competition and deregulation,
13 particularly in rural America a lot of people were
14 not standing up and cheering because you all know
15 what airline deregulation brought to rural
16 communities and trucking deregulation, and
17 oftentimes it's people in the less populated parts
18 of the country that are not the prime beneficiaries
19 of some of these policies.

20 And so what we are trying to do with the
21 help of Senator Dorgan and his colleagues is to get
22 out into the countryside and really figure out how
23 we're going to make this law work, how are we going
24 to make sure that Americans get the benefits of
25 competition without sacrificing deployment and

1 access to some of these advanced services?

2 So what I'd like to accomplish today at
3 this hearing is to get a sense from all the
4 witnesses of their personal experience. What is
5 working in their communities, what is not working
6 in their communities? How can we at the federal
7 level and at the state level work to make this law
8 work better for you?

9 So with that I'd like to have the first
10 panel come forward. I guess our first panelist is
11 forward. I'm told that Senator Krauter has an
12 urgent appointment he has to meet. So I'm going to
13 ask you to go first, Senator, and please tell us a
14 little bit -- I'm going to ask all of the panelists
15 to introduce themselves, tell us why you're here
16 and what we can do. Thank you.

17 MR. KRAUTER: Thank you. Thank you very
18 much. For the record, my name is Aaron Krauter,
19 state senator from North Dakota here, and I'm very
20 pleased to be here this afternoon and to share with
21 you some of the insights that I see about this
22 exciting technology out there, and let me first
23 start out with telling you some very, very exciting
24 things about the State of North Dakota that I think
25 you may want to take back to maybe the State of New

1 York.

2 Did you know that North Dakota has the
3 highest SAT scores among high school students in
4 the country, including top rankings in average in
5 scores for math and for verbal skills?

6 North Dakota eighth graders are in the
7 tops in the nation and seventh in the world when it
8 comes to math scores.

9 The state's eighth graders are in a tie
10 with the State of Maine, and they rank tops in the
11 nation and second in the world in science scores
12 next to Singapore.

13 North Dakota has the highest percentage of
14 students graduating from high school.

15 The state has the highest number of
16 students in the country who attend college before
17 the age of 19.

18 And the workforce in the State of North
19 Dakota has an absentee rate that is only two
20 percent in all industries, and when you look at the
21 turnover rate in the IT professions, it's only
22 three percent.

23 And nearly 90 percent of all public
24 schools in the state have Internet access.

25 Those are some things that we are very

1 proud of. Now Commissioners and Senator, from a
2 worldwild perspective aren't these some impressive-
3 type statistics, and why wouldn't any type of
4 international business be interested in setting up
5 shop right here in North Dakota? They would, but
6 there's a bump in the road, and that bump in the
7 road is what I call universal service at a
8 universal price.

9 What I want to present to you this
10 afternoon is what has happened in the state
11 legislature from the standpoint of
12 telecommunications in the recent years.

13 We have commissioned a study to analyze
14 the ways to address issues of connectivity at the
15 state level, and we understand the economic
16 development demands and the needs and the ideas of
17 decreased costs to provide that.

18 We are currently within an interim
19 legislative committee that has developed six
20 strategies for the State of North Dakota, and let
21 me tell you those six strategies that we are
22 pursuing on.

23 Number one is new technologies. In this
24 area the joint purchasing power of agencies, higher
25 education facilities, tribes, schools, cities,

1 counties and not-for-profit healthcare facilities
2 can be considered as anchor tenants to be used to
3 help drive the market. This will enable both
4 public and private sector entities to collaborate
5 on all these types of technologies. Very big
6 point, number one.

7 The second strategy is the economic
8 development, and we all understand the capabilities
9 throughout the state that this can enhance, but
10 number one, is that this type of technology will
11 help to retain, expand and grow business in North
12 Dakota.

13 The third strategy is the financial
14 savings. The experience of our state, as well as
15 others, has shown that aggregation is effective in
16 reducing the cost of connectivity. The goal is to
17 provide much greater equity and allow higher cost
18 areas to compete efficiently and truly see that
19 distance is not an issue.

20 Our fourth strategy is the rural areas in
21 North Dakota. The rural areas will see the
22 tremendous benefit by joining forces with the more
23 populated area.

24 Our fifth strategy is joint planning.
25 Networking options facing public entities will

1 continue to become more and more complex, but by
2 following a statewide plan, public entities within
3 the state can advance together and ensure that
4 appropriate communication capabilities are deployed
5 and utilized.

6 And our sixth strategy is to improve these
7 government services. Government data and services
8 will be made more accessible to the citizens as the
9 networks expand and new applications are developed.

10 To wrap up my type of comments today, I
11 want to address three areas, and those three areas
12 are education, E-commerce and something you're
13 looking for, I think, is personal experiences.

14 In the areas of education in the State of
15 North Dakota we have a strong legislative
16 philosophy that says that a student needs to be
17 treated equally and equitably at any location in
18 the state.

19 In recent legislative sessions we have
20 appropriated 20 million dollars in the form of
21 technology grants for K through 12 schools, and
22 those dollars are grant moneys that are used for
23 wiring classrooms, for computer hardware/software
24 and for professional/technical development training
25 of our educators in those schools.

1 But the limiting factor that we often find
2 in those schools is the cost of high-speed Internet
3 access, which we refer to as broadband. Often
4 students download information, and that can take up
5 to 20 minutes and that's using valuable classroom
6 time. One school has particularly quoted me that
7 their monthly phone charge increased 400 percent,
8 and they were finally put on to a partial T-1 line.

9 Well, from a public standpoint policy, the
10 question I ask is: Is this type of service
11 available universally to the students and the
12 people of North Dakota, or will there be
13 competition in the marketplace to drive this to
14 affordable and effective type of service?

15 In the areas of E-commerce from a
16 legislative standpoint we see many things
17 happening. It is often mentioned to me that the
18 access to broadband may be the limiting factor to
19 some growth potential in our ideas for growth and
20 business.

21 A comment that has often been made to me
22 in the E-commerce area is something that draws real
23 interest. It is often mentioned that there are two
24 cities in North Dakota that have an Air Force base
25 in their locale, and somehow those two communities

1 seem to have very, very good access.

2 So the question we often ask is: Could it
3 be because there's demand in those communities, or
4 could it be because we have a national public
5 policy of supporting our military and along with
6 that policy comes the best infrastructure that it
7 can support? If so, if that is the policy out
8 there, why not have the best infrastructure to
9 support our kids in our schools or the E-commerce
10 that will support those types of schools?

11 And, finally, I think what you're looking
12 for is some personal experiences. My occupation,
13 my family, we operate a family farm. In that
14 particular farming operation we use the Internet
15 for very many different types of operations, but
16 let me tell you that a typical day is starting out
17 by reading E-mails, checking E-mails from family,
18 friends and from farming-related businesses.

19 Once a week I receive an ag update, kind
20 of like a quasi Wall Street Journal, on what's
21 happening in the agricultural industry out there.
22 At the end of that report it gives me website
23 locations to get a full detailed report. On one
24 particular morning I checked the USDA web site for
25 the current production reports that were

1 presented. I also read about a recent foreign
2 trade announcement report, and I also learned about
3 some of the latest technology advancements of
4 biotechnology. It took me 15 minutes just to
5 download the last report.

6 The next thing I checked out was the local
7 cash grain markets and some national Farm Service
8 Agency reports, and finally I scanned the daily
9 newspapers, including the Washington Post, to see
10 what's happening on a national level. This was
11 happening in my hometown of Regent, but the last
12 E-mail I got was from my value-added cooperative
13 that said, hey, we're ready to receive your
14 shipment of grain, but before you do that, would
15 you E-mail back a qualitative analysis of that.

16 Web communications have done my farming
17 operation a lot of good. We use the commodities
18 that we grow to add value to our operation. Some
19 years I have increased my net farm income by over
20 25 -- excuse me, 20 percent by Internet
21 communications, but time is the very limited
22 factor.

23 I believe that there's a real exciting
24 future as far as the State of North Dakota in the
25 role that the state and federal government can play

1 in providing high-speed Internet access to
2 everyone. This is what we call universal service
3 at a universal cost.

4 With that I thank you very much for having
5 the opportunity to present this, and I will be
6 available for any questions.

7 CHAIRMAN KENNARD: Thank you very much,
8 Senator. Our next witness will be Gene Veeder, who
9 is the executive director of the McKenzie County
10 Job Development Organization.

11 MR. VEEDER: Good afternoon. My name is
12 Gene Veeder from McKenzie County Job Development
13 Authority in Watford City, North Dakota.

14 More than four years ago our community,
15 Watford City, which is the county seat of McKenzie
16 County, identified the information technology
17 industry as a potential growth area to help
18 stabilize our declining rural population and shore
19 up an economy that had been dependent on
20 agriculture and energy exploration.

21 As most of you know, both of those
22 industry have a long history of boom and bust
23 cycles. Energy-related employment had plummeted 60
24 percent in one decade, and the number of producing
25 farms in the county had dropped by 35 percent in

1 less than ten years. With lost jobs, low prices
2 and an out-migration of working families, that
3 created ripple effects on Main Street where
4 businesses were struggling to keep their doors
5 open.

6 Our local city and county government was
7 created in trying to figure out how to replace lost
8 tax revenues and to pay for essential services, and
9 in many ways it was hard for us to imagine that the
10 rest of the country was experiencing unprecedented
11 prosperity when we looked up and down our Main
12 Street.

13 However, smaller rural communities like
14 Watford City have a strong commitment to preserving
15 our lifestyle and ability to work together when the
16 stakes are high. During this period of time
17 representatives from schools, business, the medical
18 community, civic development groups took an
19 initiative to transform our community by becoming
20 one of the first cities in the state to be involved
21 in a program called Centers for Excellence in Rural
22 America. This included a self-assessment template
23 for community planning.

24 We used that opportunity and a challenge
25 from -- as the Center of Excellence in Rural

1 America pilot site to take a look at how technology
2 when infused in commerce, healthcare, education,
3 government services could enhance the lifestyles of
4 people in our community and help economic
5 developers recruit and retain new business and
6 sustain economic growth in our community.

7 We discovered during this process that we
8 had a workforce eager to transition to new and
9 better paying jobs. We did a survey that resulted
10 to, however, 450 responses in our community finding
11 out that over 250 of those people had higher
12 education degrees and were underemployed in our
13 community. We found that among the liabilities to
14 growth were our own limitations and inadequate
15 telecommunications infrastructure and affordable
16 connectivity.

17 As I came to my position in Watford City,
18 one of the first questions I had was an inquiry
19 from a company interested in moving to our
20 community inquiring about T-1 access, which was not
21 available four years ago in our community. It took
22 me two weeks to get a response from the telephone
23 company about the costs and capabilities, and by
24 the time I received that response, that relocation
25 was not a possibility.

1 We have connected our community in our own
2 way. We've developed a wireless access where we've
3 been able to share the T-1 services in our
4 community. We have joined forces with our
5 hospital, with our rural electric cooperative, with
6 our school and our city and our county and have
7 found a way to actually share the T-1 services
8 we've had in our community.

9 Unfortunately, we've had to do that with
10 quite a bit of local creativity and money, and it's
11 been hard for us to sell that to the public in
12 terms of an economic development model that we have
13 T-1 services. We had to do that on our own.

14 Our experiences in becoming a connected
15 community enriched by technology have been repeated
16 by other rural communities where distance from
17 markets and services are still a factor.

18 One of the things that economic
19 development directors like myself -- one of the
20 real factors we face is that large
21 telecommunications companies are investing in lines
22 that run through North Dakota, generally along the
23 interstate, on their way to more lucrative coastal
24 areas.

25 Keep in mind that McKenzie County is

1 surrounded by the Yellowstone River, the Missouri
2 River, and the Little Missouri River to the south
3 of us. Just the simple matter that half of our
4 community being the Badlands made it really
5 difficult to put this on one of the last areas to
6 be connected because it's just too tough to plow
7 cable and fiber through those areas. So if these
8 companies do not provide off-ramps, the small
9 businesses in our communities that are far from the
10 interstate are left out. These lines may generated
11 use tax revenues for the state, but the companies
12 do nothing for economic development without
13 promoting our local assess.

14 In recent history it was the immediate
15 access to good roads or railroads that gave one
16 community or business competitive edge. Today
17 telecommunications resources and availability of
18 advanced communications capabilities are a
19 competitive requirement, not a luxury. Even if our
20 rural areas can afford the high-quality, ready
21 workforce and enviable quality of life, companies
22 cannot ignore telecommunications requirements.

23 Communication and information technologies
24 can reduce the barriers of distance that have
25 traditionally disadvantaged this rural community.

1 Universal access is the key to our
2 telecommunications industry and has been since its
3 inception. It is the only way to achieve the
4 future promise of telecommunications.

5 For our community information applications
6 such as electronic mail, remote access to computer-
7 based data, distance learning, local area network
8 interconnections, electronic commerce, and
9 electronic government are vital to selling my
10 community and for retaining those of us who are
11 here.

12 Advanced telecommunications can make rural
13 areas more attractive for some businesses and
14 result in revitalization of our rural economy, and
15 that is a card we'd like to have in our hand, not
16 one that we hope is in our deck.

17 Our community is doing what we can to
18 secure our economic future. Many of us have
19 already positioned ourselves to take advantage of
20 leading edge technology as it develops. But
21 without an assurance of full universal service
22 through comprehensive broadband rollout, rural
23 communities will again face the historic barrier of
24 distance and experience, another boom or bust
25 cycle, that we have in the west -- we all know so

1 well in the west.

2 In light of the fact that access to
3 high-speed telecommunications will be a requirement
4 for our survival rather than an option, we are
5 asking you to provide a funding policy and plan for
6 universal service so even those of us that are most
7 remote and the most remote citizens of our state
8 have not only access to the global Internet, but
9 affordable access for high-speed connectivity.

10 Further, we encourage investment for the
11 long-term and discourage competition based on big
12 versus small business and dense versus sparsely-
13 populated areas. Thank you.

14 CHAIRMAN KENNARD: Thank you, Mr. Veeder.
15 I'm going to remind our panelists to please keep
16 your opening remarks short because as we look out
17 in this audience, I know that there are a lot of
18 people out there who have a lot to say, and I want
19 to make sure that we have an opportunity for some
20 interchange with the audience. So if you could
21 please keep your remarks to no more than five
22 minutes, three minutes preferably, and then we'll
23 try to get a little bit of an exchange going.

24 The next witness will be Jeff Johnson, who
25 is the director of IT systems for Great Plains

1 Software, a large IT company.

2 MR. JOHNSON: Thank you, Chairman. At
3 Great Plains due to the ubiquity of high-speed
4 digital services as the leading indicator of
5 economic activity in the state going forward,
6 today's broadband service is available only to a
7 really small fraction of the folks in North Dakota,
8 and the pace in some places is going fast, but the
9 vast majority is going very slow or is none
10 existent.

11 At a place like Great Plains some of the
12 ways that this is important is maybe because we
13 provide business to E-business companies, but also
14 a lot of the challenges we have is to attract
15 workers to our business, and we're drawing from the
16 national pool, from the Intels, the Microsofts, the
17 Ciscos, and these people in addition to pay and
18 some of the cost of living and such things, they're
19 looking also at the quality of the services around
20 them, most notably Internet services as an
21 important issue.

22 Secondly, the current economic model,
23 which underpins many vendors' rollout plans, is
24 based on preproven economic viability. A
25 profitable business model as seen in advance, the

1 infrastructure just doesn't go in, and rural states
2 like North Dakota feels this needs to be augmented
3 by a strong universal service initiative, and this
4 isn't necessarily seen as a one-size-fits-all
5 solution.

6 There is a valid chicken-and-egg debate
7 that goes on about does the demand have to be there
8 before the service should be put in? What we're
9 seeing is that E-business is moving very fast, and
10 if the supply isn't there, the demand doesn't even
11 show up.

12 Quality of service is an increasingly
13 critical issue for businesses in North Dakota,
14 including Great Plains. We're finding that
15 although in one of the population centers like
16 Fargo we can gain access to some of these circuits,
17 they have just arrived and there is no backup to
18 them.

19 Over the past 12 months we've experienced
20 multiple business outages. Over 30 percent of our
21 revenue comes from services delivered by Internet
22 and telephone shifting more towards Internet. So
23 we're looking for ways to be fostering further
24 activity to bring more vendors to town through
25 significant cross-connect arrangements to address

1 that. Thank you.

2 CHAIRMAN KENNARD: Thank you very much,
3 Mr. Johnson. Next we'll hear from Lee Kaldor, who
4 is with a small IT company, ComMark, Inc.

5 MR. KALDOR: Thank you, Chairman Kennard
6 and Commissioners, for coming to North Dakota and
7 holding this historic hearing.

8 I think it's very meaningful that you're
9 here to listen to us and to listen to our words
10 about information technology and the broadband
11 services that we feel that we need. It's my hope
12 that our words will translate into action to bring
13 about and improve the connectivity to rural and
14 remote areas of this country. We feel they're just
15 as important as any other place in our nation.

16 My company is an example of the kind of
17 technology-based enterprise that can spring up in
18 any location as long as there's adequate broadband
19 services available. ComMark is a very small web
20 design and consulting business located in Mayville,
21 North Dakota. We're about halfway between Fargo
22 and Grand Forks.

23 We have employed a small cadre of
24 programmers and some part-time programmers and
25 support staff. We host approximately 100 web

1 sites, including everything from simple brochure
2 wear to very comprehensive and complex E-commerce
3 solutions. We're expanding our business into more
4 data basis applications, developing -- development
5 and providing outsource programming for other web
6 developers in other parts of the country.

7 Our company is headquartered in incubation
8 space on the campus of Mayville State University,
9 which is the smallest university in North Dakota.
10 We lease our office space from them. We lease our
11 telephone and Internet access, as well. But all of
12 our sites and hosting services are provided for in
13 Minneapolis on a main line. Part of the reason for
14 this has to do with affordability. Other
15 constraints involve the preclusion of our
16 university system to provide those services for a
17 commercial purpose.

18 This access that we have right now where
19 we're placing our server costs us about half of
20 what it would cost in Mayville with current service
21 providers, and when we began our business and up
22 until just recently, T-1 service wouldn't have been
23 even available to us for that purpose.

24 The competition for Internet subscription
25 up to this point in our community has really been

1 nonexistent. About three years ago an ad hoc
2 technology committee formed in Mayville to seek
3 Internet services from U S West. U S West could
4 not provide these services from a financial
5 feasibility standpoint. Finally, Polar
6 Communications, a company in Park River, a
7 telephone cooperative, made it possible for
8 community members to have local dial-up to the
9 Internet. Subscriptions were well beyond their
10 expectations. With increased usage the atmosphere
11 in our community is changing.

12 Last month the U.S. Department of Commerce
13 announced the approval of a TIIAP grant for
14 Mayville to fund the development of a community
15 technology center. This is a result of this
16 collaborative effort of our local economic
17 development groups, the university, power company
18 and Polar Communications. We are the first tenant
19 in that new technology center, and a second tenant
20 is joining us very quickly in the next couple of
21 months. The company will be contracting for the
22 establishment of a call center for software
23 support.

24 As a consequence of this grant and as a
25 consequence of the interest in the community to put